

# **Adjustments in Accounting Methods and Prior Year Fund Balances**

AB 1487 (Chapter 343, Statutes of 2012) requires the Department of Finance (Finance) to clearly note in the Governor's Budget or related documents any adjustments of prior year fund balances and accounting methods. This requirement is to ensure the closest possible comparability of the Governor's Budget with the State Controller's Budgetary-Legal Basis Annual Report (Annual Report).

## **Accounting Methods**

**Main Funds for Caltrans**—Beginning with the 2013-14 Governor's Budget (including 2011-12 actuals, 2012-13 revised, and 2013-14 proposed), the displays have changed slightly in budget documents for the following five funds administered by the Department of Transportation : State Highway Account, Public Transportation Account, Transportation Investment Fund, Transportation Deferred Investment Fund, and Traffic Congestion Relief Fund. Fund balances of these funds operate on a cash basis of accounting. The changes better reflect the adjustments to convert the modified accrual basis of revenues and expenditures into cash basis.

**Other Funds**—The year-end financial statements submitted to the State Controller's Office for several funds were not prepared in a manner that is consistent with the Budget's methods and basis. The fund administrators of these funds have been directed to prepare their year-end financial statements in a manner that ensures the Annual Report accounts for the funds on the same basis as the Governor's Budget and the Budget Act, as required by Government Code Section 12460. The major funds include the Mental Health Services Fund and the Fiscal Recovery Fund.

**Revenue Accruals**—Consistent with the 2012 Budget Act and current practice, the net final payment accrual methodology will be used to accrue revenues associated with ballot initiatives beginning with those passed by the voters in 2012 for the 2013-14 and future budgets.

## **Prior Year Fund Balances**

As announced on August 3, 2012, Finance has implemented enhanced efforts to reconcile special funds between the Governor's Budget documents provided to Finance and the year-end financial statements provided to the State Controller's Office by departments. Departments that are the designated fund administrators continue to be primarily responsible for the reconciliation, and Finance works very closely with the departments to ensure this is completed for all special funds. Special fund balances were reconciled using the best information available. However, final balances for the Annual Report are not available during the preparation of the Governor's Budget. Therefore, there will be some remaining variances in the spring when final balances become available.